



# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

### DRAFT MINUTES

#### MUNICIPAL FINANCE ADVISORY COMMISSION

#### REGULAR MEETING

**WEDNESDAY, August 16, 2023**

Meeting Location: Telephonic Meeting

Date/Time: August 16, 2023, at 10:00 A.M.

Members Present: Ms. Kathleen Clarke Buch, Commission Chair  
Mr. Anthony Genovese  
Ms. Kimberly Kennison  
Mr. Michael LeBlanc  
Mr. Glenn Rybacki  
Ms. Rebecca A. Sielman

Members Absent: Ms. Diane Waldron

Others Present: William Plummer, OPM Staff  
Michael Reis, OPM Staff  
Morgan Rice, OPM Staff  
John Mehr, OPM Staff  
Noah Lansing, OPM Intern  
Austin Tanner, First Selectman, Town of Brooklyn  
Shelley Cates, Finance Director, Town of Brooklyn  
Richard Dziekan, Mayor, City of Derby  
Walt Mayhew, Chief of Staff, City of Derby  
Nancy Balsys, Deputy Finance Director, City of Derby  
Dr. Matthew J. Conway, Jr., Superintendent, Derby Public Schools  
Robert Trainor, Business Manager, Derby Public Schools  
Lauren Garrett, Mayor, Town of Hamden  
Curtis Eatman, Finance Director, Town of Hamden  
Joseph Kilduff, Mayor, Town of Plymouth  
Grace Zweig, Finance Director, Town of Plymouth

#### 1. Call to order

The meeting was called to order at 10:02 a.m. by Commission Chair Buch.

#### 2. Approval of the meeting minutes of April 19, 2023

The minutes were unanimously approved by all Commissioners in attendance.

#### 3. Town of Brooklyn

Commissioner Buch made reference to the Town of Brooklyn's letter requesting release from oversight of the Municipal Finance Advisory Commission (MFAC). She indicated that in reviewing the criteria that would trigger a municipality to being automatically eligible for MFAC oversight, Brooklyn met none of the criteria based upon the information provided in today's packet. Commissioner Kennison congratulated the Town for the improvements it had made to its financial practices and fiscal condition since the Commission first begun meeting with Brooklyn in June of 2019 at Brooklyn's request. A motion was made by Commissioner Kennison to release the Town of Brooklyn from MFAC oversight and the motion was seconded by Commissioner Sielman. The motion was unanimously approved.

#### **4. City of Derby**

Commissioner Rybacki indicated that the City was a client of his firm.

Walt Mayhew, Chief of Staff and Nancy Balsys, Deputy Finance Director introduced themselves and provided an update of the City's finances. Commissioner Buch inquired about the status of hiring a permanent finance director. Mr. Mayhew indicated that the City is continuing its search for a finance director. Commissioner Buch expressed her concerns regarding the City's projections for property tax collections. The FY 2022-23 budget to actual information provided by the City appeared to indicate a revenue shortfall for property taxes, whereby property tax revenues were projected at 96% of the amount budgeted. Mr. Mayhew indicated his belief that when including the state motor vehicle property tax grant, the revenue shortfall is significantly less. He went on to describe why the grant proceeds should be taken into account when reviewing the City's property tax collections for FY 2022-23 and that when the grant is added in, property tax revenues would reach 98% of the amount budgeted.

Commissioner Kennison and Commissioner Buch indicated that certain information requested at prior meetings with the City had not been provided to date including an organization chart.

A discussion occurred between the City and Commissioners in regard to the FY 2021-22 audit results which reported a \$1.9 million operating deficit in the City's General Fund. Mr. Mayhew identified the significant over-expenditures in Board of Education health insurance as a primary cause for the operating deficit and that the deficit was financed by fund balance from the General Fund. According to Ms. Balsys, the FY 2022-23 health insurance costs, on a cumulative basis are not projected to be over-expended. Commissioner LeBlanc indicated his belief that the City should seek to establish a separate self-insurance fund for employee health insurance and Mr. Mayhew indicated that he intends to revisit that matter.

The City and Commissioners discussed the FY 2022 audit findings and the status of the corrective action plans for eliminating the findings. Regarding the status of the FY 2023 audit, due to the recent financial system conversion, the City is ensuring that all information to be provided to the auditor is accurate. The City has not provided all the information to the auditor for completion of the FY 2023 audit and plans to meet with its auditor in September.

According to Ms. Balsys, at this time, she does not believe that the City will again incur an operating deficit for FY 2022-23. However, she still needs to see the August purchases to

take into account the expenditure accruals. Mr. Mayhew identified several new policies that the City is trying to implement such as adoption of a fund balance policy and development of an insurance reserve policy. He described certain setbacks in getting the policies implemented.

Commissioner LeBlanc inquired whether the City included the use of fund balance towards financing its FY 2023-24 adopted budget and Mr. Mayhew indicated that it did not. Commissioner Kennison pointed out Commissioner Genovese comments from the April meeting whereby the City appeared to be budgeting at a 99% collection rate for its FY 2023-24 property taxes. Commissioner Genovese indicated that this would essentially be the same as using fund balance if the 99% assumed tax collection rate cannot be realized in the FY 2023-24 budget results.

Commissioner Sielman stated that the City had indicated that its retiree medical insurance expenditures were 30% higher than expected. She asked whether the City had identified the cause and whether the City had a plan in place to manage these costs. Ms. Balsys indicated that she and the human resource director were working on identifying the cause. She suspects that it could be due to those employees retiring prior to 65 who would be on the City's health insurance plan until they reach 65 for which they would transition to Medicare. Commissioner Sielman also advised the City that it should work with its actuary to identify the benefit costs that the City will annually need to pay out of its operating budgets given that the City has not begun to prefund its retiree health benefit obligations. Currently the City's latest actuarial OPEB obligation indicates a \$27 million OPEB liability. Mayor Dziekan indicated that the City recently negotiated with non-police bargaining units to close the City's pension plan to new hires, which should reduce retirement benefit costs in the future. The Mayor was unsure as to whether there were any changes made to health insurance benefits for retirees that would reduce costs and indicated he would need to review that item further.

Commissioner Kennison identified several financial matters that were of concern, including:

- The finance director position has been vacant for over a year. The City has indicated that it has continuously posted the job position and is actively working to fill the position. It is a concern to the Commission that not one application has been received by the City during this time.
- The City had been without its full-time tax collector for a period of time due to a medical leave and that the absence created a backlog in the Tax office.
- For FY 2021-22, the City's June 30, 2022 audited financial statements reported a \$2 million General Fund operating deficit (on a budgetary basis). In today's meeting, over-expenditures for the Board of Education health insurance costs were identified by the City as the primary reason. For its April, 2023 meeting with the Commission, the City provided FY 2021-22 budget to actual results for the twelve month period that confirmed the over-expenditures for health insurance. However, even taking this into account, the City still projected a \$1 million operating surplus. Therefore, the \$3 million difference between the City's projected surplus and the audited deficit cannot be attributed solely to health insurance over-spending.

Mr. Mayhew and Ms. Balsys responded as follows:

- Mr. Mayhew confirmed that not one application had been received for the finance director position despite the continued posting of the job position.

- Regarding the Tax Office, he acknowledged that the Tax Collector had been out on an unexpected medical leave, whereby the City was not able to fully have a plan in place for the Tax Office prior to the Tax Collector's absence. The City however, was able to move staff from the finance office to the Tax Office to quickly alleviate the backlog that occurred for the mailings of tax payments. Taxpayers were apprised that if their mailed tax payments were postmarked by August 1<sup>st</sup> the payments were considered to be paid on time without any late payment penalties being assessed.
- Regarding the significant differences between the projected FY 2021-22 surplus and the audited budget deficit for FY 2021-22, Ms. Balsys indicated that this was primarily caused by unrecorded invoices at the Board of Education. Robert Trainor, the business manager at the Board of Education, indicated he begun employment with Derby, Board of Education in June of 2022. Subsequent to his arrival, he identified a number of FY 2021-22 invoices that had gone unpaid throughout the year prior to his employment. The invoices were therefore accounted for and recorded subsequent to the FY 2022 fiscal year end. Mr. Trainor indicated that he would need additional time to review the exact amount of the unrecorded invoices. Mr. Mayhew indicated now that Ms. Balsys and Mr. Trainor had been with the City and Board of Education for a period of time and have implemented certain controls, he believes that these problems would not occur in the future.

Commissioners discussed the reporting that have been provided to the Commission in the past. With the implementation of the new accounting system, the Commission is seeking reports in a different format and that presents information that will allow Commissioners to compare prior results to current budgetary information. Commissioner LeBlanc observed that the budget to actual expenditure reports provided are approximately 80 pages long. These expenditure detailed reports should be accompanied by expenditure summary reports when provided to the Commission. Ms. Balsys indicated that she believes significant improvements can be provided to the Commission for the October meeting. Commissioner Buch indicated that she would be discussing with other Commissioners a letter to the City with recommendations from the Commission prior to the end of today's meeting.

Commissioners reviewed the Tiers Eligibility Criteria report of the City of Derby. The report indicated that with the 9 multiple year repeated audit findings, the City met one of the seven criteria for eligibility as a Tier I municipality. Commissioner Buch observed that the June 30, 2022 audit was submitted in June of 2023, barely within the 12 month criteria period. Commissioner Kennison noted that the City has been voluntarily meeting with the Commission for advice on improvements to its financial condition and financial practices. She indicated however, that given that the City is eligible for designation as a Tier I municipality and given that the City has had a setback on its financial condition as indicated by the two-million reduction in fund balance in FY 2021-22 despite projecting a one-million FY 2021-22 operating surplus, and given that the City is not able to fully identify the cause for the three-million difference between projections and audited results, she is making a motion that the City be brought under the oversight of the Commission as a Tier I designated municipality. Commissioner Sielman seconded the motion and the motion was unanimously approved.

Commissioners thanked the City for its presentation at today's meeting.

## 5. Town of Hamden

Mayor Garrett indicated that she and her administration worked cooperatively with the Town Council to achieve savings in the FY 2023-24 budget including \$1.4 million in savings for participation in CMERS. She believes that the FY 2023-24 budget is well funded with realistic revenue sources and that the Town should end the year with a small surplus. Mayor Garrett provided a description on current fund balance and projected fund balance for FY 2023 and 2024 and how that compares to the Town's fund balance policy. She described the use of the \$3 million in-kind allocation provided to the Board of Education. In regards to tax collection rates included in the budget, the Town's FY 2023 and FY 2024 budgets are based upon a 97.7% and 98.0% tax collection rates, respectively. These rates are realistic based upon historical tax collections. Commissioners congratulated the Town for its improved outlook from the rating agencies and also the production of its FY 2023-24 budget book which included a number of established town policies.

## **6. Town of Plymouth**

Commissioner Sielman indicated that her firm provides actuarial services for the Town.

Ms. Zweig indicated that in regard to the FY 2023 audit, the auditors have already been at the Town for preliminary discussions with the Town. She believes that the FY 2023 audit will be completed by the December 31<sup>st</sup> due date. She indicated that bank reconciliations were being made on time but that the Town is seeking another staff accountant which would then enable the Town to regularly reconcile with the Board of Education records. Commissioner LeBlanc observed that the Town is projecting a \$3.3 million surplus for FY 2022-23 and inquired whether the Town has a definitive plan for the surplus or whether the surplus would flow to fund balance. According to Mayor Kilduff, the Town has no definitive plan at this time, therefore the surplus would go towards fund balance. He indicated that fund balance as of June 30, 2022 was close to 15%. Commissioner Buch recommended that the Town establish a written fund balance policy that includes what types of spending fund balance can be used towards. Commissioners indicated their satisfaction with the Town's progress as it relates to its fiscal condition and in improvements with the reconciliation of its records and working on filling its finance staffing vacancies. Commissioner Buch indicated that she would like to see the Town submit its FY 2023 audit by the December 31<sup>st</sup> due date and for the audit report to not contain any significant audit findings. She believes that if these two conditions are met, the Commission could strongly consider releasing the Town from its oversight. She thanked Plymouth officials for their presentation at today's meeting.

## **7. Status of the FY 2022 Audits**

Mr. Plummer referenced the document that provided a list of 20 municipalities that had not submitted their June 30, 2022 audit reports by June 30, 2023. Four of those reports have since been submitted except for one which the State Single Audit has not been filed. For the remaining 16 outstanding reports, several municipalities had indicated their hope that the reports could be submitted by the end of August. A number of municipalities indicated the overdue audits were caused by staffing shortages in the finance office. Commissioners requested that OPM review the FY 2021 audit findings of the municipalities with outstanding FY 2022 audit reports for audit findings that if left unaddressed could have impacted the timing of the completion of subsequent audits. In addition, the Commission requested that OPM draft letters to each of these municipalities requesting a status report on their outstanding FY 2022 audits that includes:

- A summary description by line item of each significant reason why the FY 2022 audit was not filed by the December 31<sup>st</sup> due date and is still outstanding. If one of those reasons included staffing shortages in the finance office, the municipality should provide an update on its finance staffing levels.
- A timeline for the completion and submission of the FY 2022 audit. The timeline should include a projected date for the submission of the FY 2022 audit report (financial and State Single Audit reports).
- Corrective action plans to ensure that the reasons for the late FY 2022 audit submissions do not recur for the FY 2023 audit reports.
- If available, each municipality's General Fund FY 2021-22 budget to actual unaudited results for the twelve-month period ended June 30, 2022.

## 8. Other Business

- Public Act 23-197
  - Mr. Plummer referenced the Public Act that appears to require audit findings to be addressed by the legislative body of the municipality where applicable.
- Draft Guide for Facilitating a Timely Audit
  - Mr. Plummer indicated the draft guide was developed by OPM working with its consultant. In the past, OPM has observed that some municipalities are unable to produce audits on time as a number of processes and procedures that needed to occur throughout the year did not occur. The guide can assist municipal officials and audit committees to determine that these procedures and processes are being done in a timely manner throughout the fiscal year, ultimately leading to the completion of the audit in a timely manner. Commissioners indicated that they would review the document and provide feedback to OPM.
  - Other: Commissioner Buch requested that OPM draft a letter to the City of Derby with certain recommendations on establishing an internal service fund and OPEB trust funds and several other recommendations. OPM staff indicated they would draft a letter and transmit to Commissioners for feedback before finalizing the letter.

## 9. Adjourned.

The meeting adjourned at 11:20 a.m.

Respectfully submitted,

Kimberly Kennison  
Acting Commission Secretary